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Message Text

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FOLLOWING REPEAT CAIRO 11784 ACTION SECSTATE 1 SEP QUOTE

S E C R E T CAIRO 11784

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EO 11652: GDS
TAGS: PINT, PFOR, EG
SUBJ: MALC MALAISE IN EGYPT -- IS SADAT'S LEADERSHIP FALTERING?

SUMMARY: AS A RESULT OF SADAT'S INABILITY TO FULFILL THE HIGH EXPECTATIONS OF EGYPTIAN PUBLIC FOR PEACE AND PROSPERITY PROMISED THEM IN 1973, SADAT'S PRESTIGE HAS SOMEWHAT ERODED. DISENCHANTMENT CLEARLY CENTERS ON RISING COST OF LIVING, LACK OF HOUSING, DECREPIT STATE OF PUBLIC TRANSPORTATION AND OTHER ECONOMIC ILLS. NOR DOES SADAT ESCAPE CRITICISM FOR ABSENCE OF MOVEMENT ON PEACE FRONT AND FOR EROSION OF EGYPT'S LEADERSHIP ROLE IN ARAB WORLD. SADAT'S ECONOMIC LEADERSHIP HAS BEEN PARTICULARLY UNDISTINGUISHED EVEN IF ONE ACCEPTS THE ENORMOUS PROBLEMS WITH WHICH HE HAS TO DEAL. USG, FOR VARIETY OF REASONS, INCLUDING DELAYS CAUSED BY DELAYED CONGRESSIONAL APPROPRIATIONS AND COMPLICATED AID PROCEDURES, HAS NOT ESCAPTED CRITICISM IN VIEW OF LIMITED PUBLIC IMPACT OUR ASSISTANCE HAS HAD. WE BELIEVE EGYPT IS PROBABLY HEADED
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FOR A PERIOD OF INCREASED POLITICAL INSTABILITY. STRIKES AND DEMONSTRATIONS WILL DOUBTLESS BE MORE FREQUENT AND WILL RESULT IN STRONG GOE ACTIONS TO KEEP THEM FROM SPREADING. SIGNIFICANT MOVEMENT IN 1977 IN RESUMING PEACE PROCESS

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WOULD HELP TO BOLSTER SADAT'S PUBLIC IMAGE. HOWEVER, EGYPT'S ECONOMIC PLIGHT WILL REMAIN BAD AND CONSTITUES AN OMNIPRESENT THREAT TO POLITICAL STABILITY. EN SUMMARY

1. WE ARE CURRENTLY WITNESSING A CURIOUS PARADOX. SADAT IS ABOUT TO BE OVERWHELMINGLY REELECTED AS PRESIDENT, YET, DESPITE THE HIGHLY ORCHESTRATED HOUPLA WHICH WILL ATTEND HIS REELECTION, SADAT'S PUBLIC IMAGE HAS IN FACT ERODED. HOW MUCH SO IS DIFFICULT TO MEASURE IN THIS POLL-LESS COUNTRY, BUT REPORTS OF PUBLIC RESTIVENESS AND CRITICISM OF THE SADAT REGIME ARE ON THE INCREASE. THIS IS NOT ONLY TRUE AMONG LEFTISTS AND "NASSERISTS", WHO HAVE LONG OPPOSED HIS POLICIES, BUT ALSO AMONG HIS TRADITIONAL MIDDLE-OF-THE-ROAD SUPPORTERS. THE PARAGRAPHS THAT FOLLOW ANALYZE THE CAUSES FOR THIS.

2. SADAT'S PROMISES. IN THE FLUSH OF THE OCT WAR " "VICTORY" SADAT MADE EXTRAVAGANT PROMISES TO HIS PEOPLE; HIS FOREIGN POLICY CHANGES, INCLUDING WORKING WITH US, WOULD LEAD TO A NEGOTIATED SETTLEMENT WITH ISRAEL AND AN END TO THE PROKTRACTED STATE OF WAR; HIS POLICY OF POLITICAL AND ECONOMIC LIBERALIZATION WOULD LEAD TO DEMOCRACY AND PROSPERITY. OVER THE NEXT TWO YEARS HE PROCEEDED VIRTUALLY TO EXPEL THE USSR FROM EGYPT AS IF TO DRAMATIZE THAT BOTH OBJECTIVES WOULD BE ACCOMPLISHED IN COOPERATION WITH THE WEST, PARTICULARLY THE US (WHICH "HOLDS 99 PERCENT OF THE CARDS" IN THE ME PEACE GAME AND IS THE WORLD'S TECHNO-LOGICAL LEADER). FOREIGN OBSERVERS IN CAIRO, THIS EMBASSY AMONG THEM, PREDICTED THAT SADAT WOULD BE UNLIKELY TO SATISFY THE HIGH EXPECTATIONS THAT HE HAD RAISED IN THE MINDS OF HIS LONG-SUFFERING PEOPLE. SPECULATION THEN CENTERED MAINLY ON WHAT FORM THE INEVITABLE DISGRUNTLEMENT WOULD TAKE AND HOW SOON IT WOULD COME.

3. AN OBJECTIVE OBSERVER WOULD ARGUE THAT THE STALEMATE ON THE PEACE FRONT IS TEMPORARY (US ELECTIONS, LEBANESE CONFLICT, ETC) AND IN ANY EVENT BEYOND SADAT'S CONTROL. THIS VIEW IS IN FACT HELD BY MANY EGYPTIANS, BUT IS DOES NOT

SPARE SADAT FROM INCREASING (WITH BENEFIT OF HINDSIGHT) CRITICISM THAT HE GAVE UP TOO MUCH FOR TOO LITTLE IN BOTH SINAI AGREEMENTS. LIKEWISE, THE CASEE CAN BE MADE THAT FEW COUNTRIES HAVE ATTEMPTED SUCH MASSIVE TRANSFORMATION OF THEIR ECONOMIC AND POLITICAL SYSTEMS IN SO SHORT A TIME AND THAT SIGNIFICANT RESULTS COULD HARDLY BE EXPECTED SO SOON GIVEN EGYPT'S DRACONIAN PROBLEMS OF OVER-POPULATION, AN ENTRENCHED, BLOATED BUREAUCRACY AND TWENTY YEARS OF SOCIALIST MISMANAGEMENT, AND NASSER'S UNFULFILLED PROMISES. ALL OF THIS IS TRUE AND, INDEED, IS THE POSITION THAT WE TAKE IN TALKS WITH OUR DIPLOMATIC COLLEAGUES, THE PRESS AND OTHERS.

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4. PUBLIC DISGRUNTLEMENT: THERE ARE, HOWEVER, MANY INDICATIONS THAT THE EGYPTIANS, THOSE MOST DIRECTLY AFFECTED BY SADAT'S POLICIES, ARE UNABLE TO RISE TO THESE HEIGHTS OF OBJECTIVITY. INSTEAD THERE IS GROWING DISGRUNTLEMENT OVER INFLATION, LOW SALARIES, THE BLACK MARKET, LACK OF ADEQUATE HOUSING, THE DECREPIT STATE OF PUBLIC TRANSPORTATION, ETC, THIS DISGRUNTLEMENT IS SHARPENED BY THE INEQUITABLE DISTRIBUTION OF INCOME, THE OSTENTATIOUS DISPLAY OF WEALTH BY THOSE (TRADERS AND PROVIDERS OF SERVICES--NOT INVESTORS) WHO ARE PROFITING FROM THE POCKETS OF PROSPERITY (E.G. LUXURY HOUSING, TOURISM, AND PRIVATE SECTOR MARKETING OF CONSUMABLES). SADAT PERSONALLY HAS NOT ESCAPTED CRITICISM. WE ARE HEARING MORE REMARKS RIDICULING THE PRESIDENT AND HIS WIFE ("THE QUEEN") AND THEIR AFFLUENT LIFE STYLE. MORE SERIOUSLY, THERE IS CONVINCING EVIDENCE THAT THE UNDERGROUND ECP, THE USSR AND THE "NASSERISTS" ARE ALL EXPLOITING THE DETERIOR- ATING ECONOMIC SITUATION FOR THEIR OWN PURPOSES. PUBLIC APPREHENSION OVER THE RECENT SPATE OF BOMBINGS IN PUBLIC PLACES (CAIRO 11245) AND SADAT'S PUBLIC COMMITMENT TO "GET QADHAFI" HAVE ADDED YET ANOTHER COMMITMENT THAT SADAT MUST MEET OR RISK FACING FURTHER LOSS OF PRESTIGE.

5. LEADERSHIP SKILLS. SADAT'S LEADERSHIP SKILLS ARE WELL KNOWN - AND HARDLY NEED REITERATION - REALISM IN FOREIGN AFFAIRS, COURAGE, A CLOSE IDENTITY WITH HIS PEOPLE, POL- ITICAL ACUMEN AND A FLAIR FOR THE DRAMATIC. THEY HAVE SERVED EGYPT WELL IN ENABLING IT TO EMERGE FROM THE DARK PERIOD OF THE POST 1967 NASSER ERA. SADAT'S MOST OUTSTANDING

SUCCESS AT HOME IS POLITICL LIBERALIZATION. THE DISMANTLING OF THE NASSER POLICE STATE APPARATUS, EASING OF PRESS CON- TROLS, AND THE INCIPIENT ATTEMPT TO TURN THE ASU INTO A MULTI-PARTY ORGANIZATION ARE WIDELY RECOGNIZED AS IMPORTANT STEPS IN THE RIGHT DIRECTION. IN ADDITION, AS LONG AS THEY ARE REVERSED, THEY PROVIDE AN IMPORTANT SAFETY VALVE FOR POL- ITICAL DISCONTENT. BY THE SAME TOKEN, THIS INCREASED LIBER- ALISM MEANS MORE PEOPLE ARE VOICING THEIR COMPLAINTS, ECONOMIC AND POLITICAL.

6. EGYPT'S ECONOMIC PLIGHT: THE SAD STATE OF THE EGYPTIAN ECONOMY IS CLEARLY SADAT'S MOST PRESSING PROBLEM AND OUGHT TO BE HIS PRIORITY CONCERN. THE MAJOR SINGLE CAUSE OF PUBLIC COMPLAINT IN EGYPT TODAY IS THE RISING COST OF LIVING. AFFECTING MILITARY AND CIVILIANS ALIKE, IT IS ESPECIALLY FELT BY THE LOW AND MIDDLE INCOME GROUPS. SADAT'S POSITION IS UNENVIABLE. HAVING GENERATED PUBLIC EXPECTATIONS OF A BETTER LIFE BY EMBARKING ON A PEACE POLICY, HE HAD NOW HAD TO ASK A SACRIFICE-WEARY EGYPTIAN PEOPLE TO ACCEPT FIVE MORE YEARS OF AUSTERITY. FOR THE EGYPTIAN MASSES, THE FRUITS OF PEACE HAVE BECOME UNEXPECTEDLY BITTER AS WAGES STEADILY FALL BEHIND RISING PRICES WHILE THE NEW CLASS OF

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"FAT CATS" OSTENTATIOUSLY PROSPER. SUBSIDIZATION OF BASIC
CONSUMABLES IS AT BEST PALLIATIVE AND AT WORST SIMPLY SHIFTS
THE BURDEN TO AN ALREADY BANKRUPT GOVT. AT A TIME WHEN EGYPT
BADLY NEEDS THE ECONOMIC MANAGERIAL SKILLS OF A SCHACHT,
THE BEST THAT SADAT HAS BEEN ABLE TO COME UP WITH IS A SALEM,
WELL INTENTIONED BUT ECONOMICALLY INEPT AND SERVED BY SECOND
RATE ECONOMIC MINISTERS (MINPET HILAL EXCEPTED). THIS
COMBINATION SHOWS NO RECOGNITION OF THE URGENCY AND ENORMITY
OF GOE'S ECONOMIC PLIGHT. EGYPT IS LIKE A GIANT SLOTH
TRAPPED IN AN ECONOMIC MIRE OF ITS OWN MAKING. IRONICALLY,
THE ONLY MEANINGFUL REMEDY YET SUGGESTED I.E., ACCEPTANCE OF
IMF RECOMMENDATIONS, WILL FURTHER ESCALATE PRICES AND IN THE
SHORT RUN AT LEAST WILL DETRACT STILL MORE FROM SADAT'S
PUBLIC IMAGE.

7. SADAT AND ECONOMICS: SADAT'S OCCASIONAL INTERVENTIONS
TO PROVIDE ECONOMIC LEADERSHIP HAVE BEEN TOTALLY UNDISTING-
UISHED. ECONOMICS IS NOT HIS FORTE. BOTH IN PRIVATE CON-
VERSATIONS AND IN HIS PUBLIC STATEMENTS, HIS ECONOMIC
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PERCEPTIONS ARE SHALLOW AND DEVOID OF ANY SENSE OF URGENCY.
ECONOMIC ANALYSIS BORES HIM AND HE HAS RARELY DEMONSTRA-
TED DETAILED KNOWLEDGE OF ANY SNGLE PROJECT OR THE NEED FOR
DRASTIC REOGANIZATION OF THE ECONOMIC DECISION-MAKING PROCESS.
A CONSUMMATE POLITICIAN, POLITICAL CONSIDERATIONS CONSTANTLY
PREOCCUPY HIM AND INEVITABLY PUSH ASIDE ECONOMIC PRESSURES.
SADAT'S JUNE 6 INTERVIEW WITH INSTITUTIONAL INVESTOR (AUG 76)
SHOWED A PARTICULAR NAIVETE ON ECONOMIC MATTERS; THUS, HE
WAS "QUITE SATISFIED" WITH PROGRESS OF THE OPEN DOOR POLICY;
CLAIMED IT IS "ACCEPTED 100 PERCENT" BY THE ASSEMBLY
AND BUREAUCRACY; INSISTED AMERICAN MULTINATIONS HAVE TRIED
TO "IMPOSE UNREASONABLE CONDITIONS" ON EGYPT; AND PREDICTED
THAT 1980 WILL BE THE YEAR OF EGYPT'S ECONOMIC "TAKE OFF".
SUCH A JUDGMENT BLITHELY IGNORES THE REALITIES OF THE SIT-
UATION.

8. EGYPTIAN ETHNOCENTRISM: SADAT, LIKE MOST EGYPTIANS, IS
ETHNOCENTRIC AND IS PERSUADED OF EGYPTIAN SUPERIORITY OVER
OTHER ARABS. THIS ATTITUDE HAS SERVED US FORIEN POLICY
INTERESTS IN THE PAST, FOR EXAMPLE PROFITING FROM SADAT'S
CONVICTION THAT EGYPT IS CENTRAL TO THE ARAB/ISRELI CONFLICT
AND THAT HE COULD SIGN SINAI II WITH IMPUNITY. BUT IT IS
A SELF DEFEATING ATTITUDE WHEN APPLIED TO THE ECONIMIC
SPHERE. EGYPT, IN FACT, SUFFERS FROM A GLUT OF OVER-TRAINED,
YET PATENTLY UNDER SKILLED AND UNDER MOTIVATED QUASI-PROFESS-
IONALS, UNWILLING TO ADMIT THEIR OWN INADEQUACY OR TO LEARN.
UNDER THE MANAGEMENT OF SUCH MEN, WHO ARE ESPECIALLY STRONG
IN THE BUREAUCRACY AND THE PUBLIC SECTOR, EGYPT HAS SHORT-
SIGHTEDLY FAILED TO STUDY THE PARALLEL EXPERIENCES OF OTHER
DEVELOPING STATES (E.G. TUNISIA'S POPULATION CONTROL PRO-
GRAM, SOUTH KOREA'S FOREIGN INVESTMENT LAW OR EVEN IRAQUI

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MEASURES TO CUT THROUGH THE BUREAUCRATIC MAZE). DEPISTE TWO
YEARS OF FAILURE IN MAKING THE "OPEN DOOR" WORK, WHICH
DOES NOT DISPLEASE MANNY IN THE BUREAUCRACY ONE WHIT,
GOE RETAINS THE FALSE CONFIDENCE THAT EGYPT IS A BUYERS MARKET
AND THAT THE MULTINATIONALS WILL EVENTUALLY MEET HIS TERMS.

9. EGYPT AND SYRIA AND LEBANON: ON THE POLITICAL FRONT, TOO,
SADAT'S CRITICS CHARGE THAT HE HAS UNDERMINDED GOE'S ARAB
LEADERSHIP ROLE AND ARE CONCERNED ABOUT HIS ESTRANGEMENT
WITH SYRIA. WORSE STILL, WHILE ADMITTING SYRIAN PROVOCATION,
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THEY ARE WORRIED THAT THE PRESIDENT HAS LATELY PERSONALIZED
HIS DISPUTE WITH ASAD AND TO A POINT WHERE SADAT IS WILLING
TO SEE THE FALL OF THE SYRIAN PRESIDENT IRRESPECTIVE OF
THE CONDEQUENCES OF ANY SUCH A DEVELOPMENT. MANY ALSO BLAME
SADAT FOR DISMANTLING GOE'S ASSETS IN LEBANON. TO THIS
THEY ATTIBUTUE GOE'S PATENT INABILITY CONSTRUCTIVELY TO
INFLUENCE PRESENT LEBANESE SITUATION. INSTEAD, SADAT HAS
BEEN FORCED TO SEEK SUCH DISPARATE ALLIES AS PLO, JUMBLATT
AND A MOTELY COLLECTION OF OTHER LEBANESE ANTI-SYRIAN
ELEMENTS AS THE SOLE MEANS TO PROTECT THE SOMEWHAT NEBULOUS
EGYPTIAN INTERESTS IN LEBANON. AS SYRIAN/CHRISTIAN SUCCESSES
IN LEBANON GROW, AND THE PLO SHOW SIGNS OF WANTING TO
COMPROMISE WITH SYRIA, IT BECOMES INCREASINGLY EVIDENT TO
POLITICALLY MINDED EGYPTIANS THAT SADAT HAS GOTTEN HIMSELF
INTO A NO-WIN SITUATION.

10. EGYPT/US RELATIONSHIP: NOR IS SADAT'S POLICY OF
WORKING WITH THE USG IMMUNE FROM PUBLIC CIRTICISM.
THE POLITICALLY ARTICULATE GRUMBLE THAT THERE HAS BEEN NO
MOVEMENT ON THE PEACE PROCESS IS WELL OVER A YEAR. OTHERS
NOTE THAT THE USG ECONOMIC HELP, HOWEVER GENROUS WE CON-
SIDER IT TO BE, HAS HAD LITTLE TANGIBLE EFFECT IN IMPROVING
THE LOT OF THE MAN IN THE STREET. FOR A VARIETY OF REASONS,
HAVING TO DO WITH DELAYS IN ANNUAL CONGRESSIONAL APPROP-
RIATIONS, OUR HIGHLY COMPLEX AND TIME CONSUMING AID PROCED-
URES AND GOE BUREAUCRATIC SLUGGISHNESS, UTILIZATION RATE
HAS BEEN SLOW. AS YET THERE IS LITTLE VISIBLE ON THE GOUND
TO WHICH EITHER GOE OR WE CAN POINT. AS MIGHT BE IMAGINED,
SADAT'S CRITICS, ESPECIALLY ON THE LEFT, ARE ASKING WHAT
HAS THE USG REALLY DONE TO HELP EGYPT. AS FOR THE MILITARY,
THE BULWARK OF SADAT'S SUPPORT, THEY ARE BECOMING INCREAS-
INGLY AWARE THAT SADAT'S LONG DANGLED PROMISES OF GENEROUS
US MILITARY ASSISTANCE TO EGYPT WERE EMPTY AND ARE LIKELY
TO REMAIN SO. (THE POLITICAL IMPACT OF THE SIX C-130'S
HAS BEEN MINIMAL.)

11. POPULATION PROBLEMS: FINALLY, DESPITE THE HORRENDOUS
ECONOMIC AND SOCIAL PROBLEMS THAT EGYPT FACES, POPULATION
GROWTH REMAINS INORDINATELY HIGH (BETWEEN 2.4 AND 2.6 PER
CENT). A SMALL BODY OF RESPONSIBLE EGYPTIANS, INCLUDING MRS

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SADAT, HAS BEEN URGIN STRONGER POPULATION CONTROL PROGRAMS.
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WHILE AWARE OF THE PROBLEM, SADAT HAS FOR RELIGIOUS AND SOCIAL REASONS BEEN UNWILLING ACTIVELY TO LEND HIS PERSONAL PRESTIGE AND INFLUENCE TO SUCH CONTROL PROGRAMS. AS A RESULT, SUCH EGYPTIAN EFFORTS AS ARE UNDERWAY DO NO MORE THAN NIBBLE AT THE PERIPHEREY OF AN AWESOME AND INESCAPABLE PROBLEM WHICH CAN ONLY GET WORSE.

12. SIGNIFICANT FOR US INTERESTS: WHILE ONE SHULD NOT UNDERESTIMATE THE ENORMOUS RESERVOIR OF PATIENCE AND TOLERANCE OF THE EGYPTIAN PEOPLE, THIS IS A DANGEROUS REED TO RELY UPON. ALL THINGS CONSIDERED, IT IS DIFFICULT TO ESCAPE THE CONCLUSION THAT EGYPT IS HEADING FOR A PERIOD OF INCREASED POLITICAL INSTABILITY IN THE PERIOD AHEAD. STRIKES AND DEMONSTRATIONS, LARGELY ECONOMICALLY MOTIVATED, WILL DOUBTLESS INCREASE AND OFFER LEFTIST
ELEMENTS OPPORTUNITIES TO EXPLOIT. GOE WILL HAVE TO RESORT TO HEAVEY-HANDED CONTROL MEASURES. THE REGIME IS ALERT TO ANY SIGNS OF PUBLIC UNREST AND SEEMS TO HAVE THE CAPABILITY TO MOVE RAPIDLY TO PREVENT IT FROM SPREADING, BUT POLICE ACTION WILL INEVITABLY BREED NEW DISCONTENT. ONE MIGHT HOPE THAT, FOLLOWING THE UPCOMING EGYPTIAN ELECTIONS, A NEW GOVERNMENT WILL BE FORMED IN OCT THAT IMPOSES GREATER DYNAMISM, URGENCY AND TOUGHNESS IN TACKLING THE COUNTRY'S ECONOMIC PROBLEMS, BUT THERE IS LITTLE IN SADAT'S PERFORMANCE TO DATE TO INSURE MUCH CONFIDENCE THAT THIS WILL BE THE CASE. WITH FEW EXCEPTIONS, HE DISTRUSTS YOUTH AND PREFERS TO HAVE HIS OLD CRONIES ABOUT. SIGNIFICANT MOVEMENT IN 1977 IN RESUMING THE PEACE PROCESS, ESPECIALLY IN A COMPREHENSIVE CONTEXT, WOULD HELP TO BOLSTER SADAT'S PUBLIC IMAGE IN THE POLITICAL SPHERE. EVEN WITH SUCH RESUMPTION, HOWEVER, EGYPT'S ECONOMIC PLIGHT WILL REMAIN BAD AND CONSTITUE AN OMNIPRESENT THREAT TO POLITICAL STABILITY OF THE SADAT REGIME. DEMANDS FOR MORE US ECONOMIC HELP ARE LIKELY; SO IS CRITICISM IF IT IS NOT FORTHCOMING. THE ROAD AHEAD FOR SADAT AND THE USG IN ITS RELATIONS WITH EGYPT IS LIKELY TO BE SOMEWHAT MORE ROCKY THAN HAS BEEN THE CASE THESE PAST TWO ANDONE-HALF YEARS. EMBASSY RECOMMENDATIONS ON WHAT NEW ACTIONS US MAY BE ABLE TO TAKE TO BOLSTER THE FALTERING ECONOMCY (E.G. SPEED UP THE UTILIZATION RATE OF US AID) ARE BEING SENT SEPTEL.
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